



# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2020

Auditor of Public Accounts  
Martha S. Mavredes, CPA  
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## AUDIT SUMMARY

We have audited the basic financial statements of the Virginia Polytechnic Institute and State University (Virginia Tech) as of and for the year ended June 30, 2020, and issued our report thereon, dated November 12, 2020. Our report, included in Virginia Tech's Financial Report, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at Virginia Tech's website at [www.vt.edu](http://www.vt.edu). Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Our audit also included testing over the major federal programs of the Research and Development Programs Cluster and Education Stabilization Fund for the Commonwealth's Single Audit as described in the U.S. Office of Management and Budget Compliance Supplement; and found internal control findings requiring management's attention and instances of noncompliance in relation to this testing. In addition, we audited the follow up on the finding from fiscal year 2018 entitled "Improve Reporting to the National Student Loan Data System" and found an internal control finding requiring management's attention and an instance of noncompliance in relation to this testing.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Report Student Status Enrollment Changes Timely to National Student Loan Data System**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2018)

**Prior Title:** Improve Reporting to National Student Loan Data System

Virginia Tech personnel did not report timely enrollment data to the National Student Loan Data System (NSLDS). Virginia Tech personnel did not certify timely five of 23 students that had graduated from Virginia Tech during fall 2019 at the campus and/or program levels. The underlying cause of the noncompliance is related to a need to compile a “Graduation (G)” only file and ongoing discussions/testing that occurred between Virginia Tech and the third party servicer used to transmit batches to NSLDS through spring 2020. By the time Virginia Tech personnel identified and transmitted the student concerns to NSLDS, they were past the required reporting timeframe.

In accordance with Code of Federal Regulations 34 C.F.R. § 685.309 and further outlined in the NSLDS Enrollment Reporting Guide, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. By not submitting timely and accurate data to NSLDS, Virginia Tech can affect the reliance placed on the data by the Department of Education for monitoring purposes and other higher education institutions when making aid decisions. Noncompliance may also have implications on an institution’s participation in Title IV programs.

Management should collaborate with the third-party servicer to implement corrective action to prevent future noncompliance.

### **Strengthen the Schedule of Expenditures of Federal Awards Review Process**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Virginia Tech Financial Reporting personnel did not properly prepare a Schedule of Expenditures of Federal Awards (SEFA) supporting schedule that details the amounts Virginia Tech disbursed to subrecipients. The schedule was overstated by \$14,081,593. The error resulted from inaccurate coding in the query Financial Reporting used to create the schedule.

In accordance with § 200.510(b) (Schedule of expenditures of Federal awards) of the Uniform Guidance, “the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with § 200.502.” The Department of Accounts’ (Accounts) Comptroller’s Directive 2-20 provides specific directions for compiling the SEFA and supporting schedules, including the “total amount provided to subrecipients from each Federal program,” to support its preparation of the Commonwealth’s SEFA and related disclosures. Providing inaccurate schedules to Accounts could

result in misstatement of the Commonwealth's SEFA and related disclosures. Financial Reporting should strengthen its current SEFA review process to include review of the query output and schedule preparation for reasonableness and accuracy.

#### **Improve Timeliness of Grant Closeout**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** No

Virginia Tech academic department and Office of Sponsored Programs personnel did not close out grants in accordance with the Federal Uniform Guidance. The cause of the noncompliance was due to the departments not liquidating financial obligations timely, which results in the Office of Sponsored Programs not closing the grants timely and, in some cases, Office of Sponsored Programs not submitting financial reports timely. Based on analysis of Virginia Tech's research and development grants, we found 69 grants with expenses that occurred after the period of performance and close out period. We sampled and tested ten of those grants from which we identified the following deficiencies:

- for one grant, the academic department did not resolve a travel encumbrance timely thus delaying close-out by 38 days. The final report was submitted to the Federal sponsor 244 days after the Federal deadline;
- for one grant, the academic department did not resolve a travel encumbrance timely resulting in the labor redistribution and corresponding indirect cost charges being posted outside of the period of performance. The sponsor was final billed timely; however, the final report was submitted 24 days late. The Post-Award Administrator revised a previously submitted Federal financial report and returned the remaining balance to the Federal sponsor, this revision delayed the issuance of a revised financial report by 118 days; and
- for one grant, the Post-Award Administrator did not complete the final Federal report timely resulting in a submission that was 100 days late.

In accordance with § 200.343(a)(b) (Closeout) of the Uniform Guidance and C.F.R. § 32.71 (Closeout Procedures), "the non-Federal entity must submit, no later than 90 days after the end of the period of performance, all financial, performance and other reports as required by the terms and conditions of the Federal award. Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 days after the end date of the period of performance as specified in the terms and conditions of the Federal award."

The Office of Sponsored Programs should reinforce closeout procedures with academic departments to ensure that financial obligations are liquidated timely to allow the Post-Award Administrators sufficient time to comply with the Uniform Guidance. When required, the Office of Sponsored Programs should ensure that final reports are submitted timely to the Federal sponsor.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

November 12, 2020

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia Polytechnic Institute and State University

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

## FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Virginia Tech's basic financial statements and have issued our report thereon dated November 12, 2020. Our report includes a reference to another auditor. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component unit of Virginia Tech, which was audited by another auditor in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Tech's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia Tech's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control entitled "Report Student Status Enrollment Changes Timely to National Student Loan Data System," "Strengthen the Schedule of Expenditures of Federal Awards Review Process," and "Improve Timeliness of Grant Closeout," which are described in the section titled "Internal Control and Compliance Findings and Recommendations" that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Virginia Tech's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations," in the findings entitled "Report Student Status Enrollment Changes Timely to National Student Loan Data System," "Strengthen the Schedule of Expenditures of Federal Awards Review Process," and "Improve Timeliness of Grant Closeout."

### **The University's Response to Findings**

We discussed this report with management at an exit conference held on November 3, 2020. Virginia Tech's response to the findings identified in our audit is described in the accompanying section titled "University Response." Virginia Tech's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Status of Prior Findings**

Virginia Tech has not taken adequate corrective action with respect to the previously reported finding "Improve Reporting to the National Student Loan Data System." Accordingly, we included the

finding “Report Student Status Enrollment Changes Timely to National Student Loan Data System” in the section entitled “Internal Control and Compliance Findings and Recommendations.”

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martha S. Mavredes  
AUDITOR OF PUBLIC ACCOUNTS

DBC/vks





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November 20, 2020

Martha Mavredes, CPA  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have reviewed the audit findings and recommendations resulting from the fiscal year 2020 audit by the Auditor of Public Accounts (APA) and Virginia Tech concurs with the audit findings. The following contains the APA's findings and management's response to the findings.

### **Findings of the APA:**

#### **Report Student Status Enrollment Changes Timely to National Student Loan Data System**

Virginia Tech personnel did not report timely enrollment data to the National Student Loan Data System (NSLDS). Virginia Tech personnel did not certify timely five of twenty-three students that had graduated from Virginia Tech during fall 2019 at the campus and/or program levels. The underlying cause of the noncompliance is related to a need to compile a "Graduation (G)" only file and ongoing discussions/testing that occurred between Virginia Tech and the third-party servicer used to transmit batches to NSLDS through spring 2020. By the time Virginia Tech personnel identified and transmitted the student concerns to NSLDS, they were past the required reporting timeframe.

In accordance with Code of Federal Regulations 34 CFR 685.309 and further outlined in the Enrollment Guide, enrollment changes must be reported to NSLDS within 30 days when attendance changes, unless a roster file will be submitted within 60 days. The accuracy of Title IV enrollment data depends heavily on information reported by institutions. By not submitting timely and accurate data to NSLDS, Virginia Tech can affect the reliance placed on the data by the Department of Education for monitoring purposes and other higher education institutions when making aid decisions. Noncompliance may also have implications on an institution's participation in Title IV programs.

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
*An equal opportunity, affirmative action institution*

Management should collaborate with the third-party servicer to implement corrective action to prevent future noncompliance.

**University Response:**

Virginia Tech will implement a post-submission audit of a representative sample to confirm accuracy in program and campus level reporting to NSLDS for graduate status. Based on the results, Management will continue to collaborate with the vendor to identify and implement corrective actions. Given that this issue has impacted a number of institutions who partner with the same vendor, Virginia Tech will also seek to utilize professional organizational membership influence at the third-party servicer to facilitate improvement in NSLDS reporting for known issues.

**Responsible Person:** Rick Sparks, Associate Vice Provost & University Registrar

**Completion Date:** April 30, 2022

**Strengthen the Schedule of Expenditures of Federal Awards Review Process**

Virginia Tech Financial Reporting personnel did not properly prepare a Schedule of Expenditures of Federal Awards (SEFA) supporting schedule that details the amounts Virginia Tech disbursed to subrecipients. The schedule was overstated by \$14,081,593. The error resulted from inaccurate coding in the query Financial Reporting used to create the schedule.

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**University Response:**

We concur that Virginia Tech Financial Reporting should strengthen its current SEFA review process to include review of the query output and schedule preparation for reasonableness and

accuracy. Although the error occurred due to a unique set of circumstances, we are moving forward with the following actions to strengthen controls and accuracy of future schedules.

- Update the SEFA SAS query to create the data subset for subcontracts at the beginning of the program prior to any coding that sets expenditure amounts for funds received from other state agencies. (Completed October 26, 2020).
- Prepare a review check list that must be completed prior to the submission of the SEFA to the Department of Accounts. (Completed November 19, 2020).

Responsible Person: Melinda West, Interim AVP for Finance & University Controller

Completion Date: Corrective actions taken.

### Improve Timeliness of Grant Closeout

Virginia Tech academic department and Office of Sponsored Programs personnel did not close out grants in accordance with the Federal Uniform Guidance. The cause of the noncompliance was due to the departments not liquidating financial obligations timely which results in the Office of Sponsored Programs not closing the grants timely and, in some cases, Office of Sponsored Programs not submitting financial reports timely. Based on analysis of Virginia Tech's research and development grants, we found 69 grants with expenses that occurred after the period of performance and close out period. We sampled and tested ten of those grants from which we identified the following deficiencies:

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- For one grant, the Post-Award Administrator did not complete the final Federal report timely, 100 days late.

In accordance with §200.343(a)(b) (Closeout) of the Uniform Guidance and CFR §32.71 (Closeout Procedures), “the non-Federal entity must submit, no later than 90 days after the end of the period of performance, all financial, performance and other reports as required by the terms and conditions of the Federal award. Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 days after the end date of the period of performance as specified in the terms and conditions of the Federal award.”

The Office of Sponsored Programs should reinforce closeout procedures with academic departments to ensure that financial obligations are liquidated timely to allow the Post-Award Administrators sufficient time to comply with the Uniform Guidance. When required, the Office of Sponsored Programs should ensure that final reports are submitted timely to the Federal sponsor.

**University Response:**

The Office of Sponsored Programs (OSP) will revise the Sponsored Projects Closeout Procedure 30005 to ensure that financial obligations are liquidated timely by the academic departments and institutes to allow the Post-Award Associates sufficient time to comply with the Uniform Guidance closeout requirements. OSP will also revise the University’s Cost Transfer policy 3255 to reinforce timely processing of labor and non-labor transfers by the departments. OSP will furthermore socialize the open encumbrances query already available in MicroStrategy to ensure timely liquidation of available sponsored funds. OSP will also provide training on policy and procedure revision along with the reminders of encumbrance reports.

**Responsible Person:** Trudy Riley, AVP for Research Innovation Sponsored Programs

**Completion Date:** June 30, 2021

Sincerely,



Melinda West

Interim AVP for Finance & University Controller



# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

As of June 30, 2020

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